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Spend spend-and and-tax: a panel data investigation for the EU

António Afonso

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Christophe Rault

*LEO, University of Orléans and Research Fellow, BEM
Bordeaux Management School*

Abstract

Using bootstrap panel analysis, allowing for cross cross-country correlation, without the need of pre pre-testing for unit roots, we study the causality between government spending and revenue for the EU in the period 1960 1960-2006. We find spend spend-and and-tax causality for Italy, France, Spain, Greece, and Portugal, while tax tax-and and-spend evidence is present for Germany, Belgium, Austria Finland and the UK, and for several EU New Member States. Moreover, in the run run-up to EMU there was some shifting away from a spend spend-and and-tax strategy, implying adjustments of fiscal behaviour.

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Christophe Rault

LEO, University of Orléans and Research Fellow, BEM Bordeaux Management School

chrault@hotmail.com

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